

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: HEALTH CARE FINANCING ADMINISTRATION**

TRANSMITTAL NUMBER

AT-92-28

STATE

TENNESSEE

PROGRAM IDENTIFICATION
TITLE XIX

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

PROPOSED EFFECTIVE DATE

July 1, 1992

TYPE OF PLAN MATERIAL (Check One)

☐

NEW STATE PLAN

☒

AMENDMENT TO BE CONSIDERED AS NEW PLAN

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AMENDMENT

COMPLETE NEXT 4 BLOCKS IF THIS IS AN AMENDMENT (Separate transmittal for each amendment)

FEDERAL REGULATION CITATION

42 CFR 447

NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19A, pages 4 of 11 and 7 of 11.

NUMBER OF THE SUPERSEDED PLAN SECTION OR
ATTACHMENT

Attachment 4.19A, pages 4 of 11 and 7 of 11.

SUBJECT OF AMENDMENT

Methods and Standards for Establishing Payment Rates for Psychiatric Inpatient Hospital Services.

GOVERNOR'S REVIEW (Check One)

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GOVERNOR'S OFFICE REPORTED NO COMMENT

☐

OTHER, AS SPECIFIED:

☐

COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐

NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

SIGNATURE OF STATE AGENCY OFFICIAL

H. Russell White

TYPED NAME:

H. Russell White

TITLE:

Commissioner

DATE:

September 11, 1992

RETURN TO:

Tennessee Department of Health
Bureau of Medicaid
729 Church Street
Nashville, Tennessee 37247-6501

Attn: George Woods

FOR REGIONAL OFFICE USE ONLY

DATE RECEIVED

September 22, 1992

DATE APPROVED

November 13, 2000

PLAN APPROVED - ONE COPY ATTACHED

EFFECTIVE DATE OF APPROVED MATERIAL

July 1, 1992

SIGNATURE OF REGIONAL OFFICIAL

Eugene A. Grasser

TYPED NAME:

Eugene A. Grasser

TITLE:

Associate Regional Administrator
Division of Medicaid and State Operations

REMARKS:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT
RATES FOR INPATIENT HOSPITAL SERVICES

reimbursable per diem rate will consist of only the operating component. The remaining components: capital and direct medical education will be paid in a lump sum amount. Capital and direct medical education costs will be estimated from each provider's most recent cost report on file as of 4:30 p.m. C.D.T., Monday, June 30, 1988. The estimate will be used to compute a lump sum amount for capital and direct medical education. Payment will be made monthly starting July 1, 1988. Each provider's subsequent cost report will be used to adjust the capital and direct medical education for the subsequent fiscal year. This adjustment shall be effective on the first day of the next month, one month subsequent to the date of receipt of the provider's cost report. Capital and direct medical education costs will be subject to year end cost settlement for inpatient psychiatric services on and after July 1, 1988.

- 2(a) Effective October 1, 1991, capital costs will be reduced by 15% for dates of service October 1, 1991 through June 30, 1992. Reduction will be figured into year end final settlements. Hospitals designated as Sole Community Hospitals are exempt from percentage reductions in capital costs. Effective July 1, 1992, hospitals will be reimbursed 100% of capital costs for dates of service July 1, 1992 and later.
- 2(b) Additional costs due to revalued assets will be recognized only when an existing provider is purchased by another provider in a bona fide sale (arms length transaction). The new value for reimbursement purposes shall be the lesser of (1) the purchase price of the asset at the time of the sale, (2) the fair market value of the asset at the time of the sale (as determined by an MAI appraisal), (3) current reproduction cost of the asset depreciated on a straight line basis over its useful life to the time of the sale, or (4) for facilities undergoing a change of ownership on or after July 18, 1984, the acquisition cost to the first owner of record on or after July 18, 1984. The purchaser has the burden of proving that the transaction is a bona fide sale should the issue arise. Gains realized from the disposal of depreciable assets while a provider is participating in the program are to be a deduction from allowable capital costs. All sales as of July 18, 1984, will be in compliance with the provisions of Section 2314 of DEFRA.

D1041254

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT
RATES FOR INPATIENT HOSPITAL SERVICES

maintenance, or insufficient nursing staff will not be considered staffed beds. It shall be the responsibility of the provider to determine, at least monthly, its number of staffed beds. A schedule is subject to audit. If no schedule of staffed beds is received, staffed beds will be the number of beds at the end of the cost report period. For psychiatric providers, the minimum occupancy adjustment will apply to services on and after July 1, 1988. The minimum occupancy adjustment will be applied before the adjustment specified in B(4). Effective October 1, 1989, Tennessee Medicaid will not impose a minimum occupancy penalty.

E. Rate or Payment Adjustment

- (1) Prospective per diem rates or lump sum payment amounts are subject to adjustment in the event of a mistake.
- (2) Operating per diem rates may be adjusted if there is a significant change in case mix resulting in a \$50,000 effect on Tennessee Medicaid reimbursement. Case mix, for this purpose, is a diagnostic or therapeutic related factor requiring either an increase or decrease in the professional staff per patient ratio. Requests for adjustments must be accompanied by detailed supporting information. Such rate adjustments if approved become effective on the first day of the month following the approval.
- (3) Providers may request an increase in monthly interim payments for capital and direct medical education if a provider's actual amounts are expected to exceed the estimated amount by at least 25%. Supporting financial data must be submitted with the request. No more than one request per year for an increase will be accepted per provider. The Commissioner reserves the right, after notifying the provider, to decrease payments when information is made available. If estimated payments are materially higher than ^{the} ~~the~~ being incurred. *25,000*

F. Medicaid Disproportionate Share Adjustment (MDSAP)
July 1, 1988. Inpatient psychiatric hospitals having

D3019264

NO RDE

TN No. 92-28
Supersedes
TN No. 89-34

Approval Date NOV 13 2000

Effective Date 7/1/92